



December 29, 2004

The Honorable Thomas G. Shepperd, Jr.
Chairman
York County Board of Supervisors
Post Office Box 532
224 Ballard Street
Yorktown, Virginia 23690

Dear Tom,

Representatives of the Peninsula Alliance for Economic Development (PAED) and the Hampton Roads Economic Development Alliance (HREDA) have been working, over the past several months, toward a merger of our respective marketing and business attraction programs. The reasons for striving to combine the PAED and HREDA business attraction efforts into one marketing program for the greater Hampton Roads region are listed in an attachment to this letter.

On September 24, 2004 I requested, by written memorandum, that your elected body review a preliminary merger term sheet and determine its acceptability. Based on the positive response received from most of our member communities, our Board of Directors gave conceptual approval to the term sheet at its meeting on November 17 and directed that we proceed with HREDA to prepare final documents to implement the merger.

Enclosed with this letter is the resulting Memorandum of Understanding (MOU) that the PAED Executive Committee has recommended for approval by our member communities (Governmental Members), our Board of Directors and our membership (General Members).

It is necessary that, prior to the January 26th PAED Board of Directors meeting, your elected body determine the acceptability of the MOU and authorize your community's approval (or rejection) of it and related amendments to the PAED bylaws and articles of incorporation at the January Board meeting.

In reviewing the attached documents it is important to consider the following:

- Only PAED's marketing/business attraction mission would be combined with HREDA (whose singular mission has always been marketing).

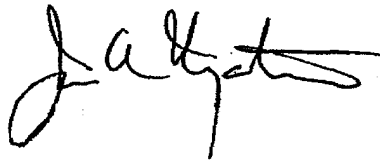
- PAED would not be dissolved but, rather, would be renamed and restructured to suit its ongoing primary mission of workforce development.
- PAED's workforce development program and staffing would remain intact.
- While the combined marketing program would be headquartered in Norfolk, a significant HREDA office presence would be maintained on the Peninsula.
- Protocols for handling business prospect leads would be essentially the same as those followed in the past by PAED.
- HREDA would be governed by an Executive Committee whose 28 members would be comprised of 14 Peninsula representatives and 14 Southside representatives. Its Chairman and Treasurer would come from one side of Hampton Roads and its Vice-Chairman and Secretary would come from the other side of Hampton Roads. All private sector members investing \$5,000/year would receive a seat on the Board of Directors (for up to two years, Peninsula-based members investing a minimum of \$1,000 would receive board seats).

Also enclosed is a sample resolution for your use in taking appropriate action in this matter.

Please let Rick Weigel know, at your earliest convenience, when your elected body will consider this issue and whether or not you would like to have representatives from the PAED attend your meeting to make a presentation and/or respond to questions.

Thank you for your cooperation and assistance in this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Nystrom", with a stylized flourish at the end.

Jon Nystrom
Chairman

cc: James O. McReynolds
Rick Weigel
Matthew James

Enclosure